

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-10 NEA-10 ISO-00 CIAE-00 PM-05 H-01
INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15
ICA-11 AID-05 COME-00 EB-08 FRB-03 XMB-02 OPIC-03
LAB-04 SIL-01 OMB-01 STR-07 CEA-01 IO-13 SNM-05
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USADB

DEPARTMENT PASS TREASURY DEPT FOR NACHMANOFF

EO 11652:N/A
TAGS: EAID, EFIN, ADB
SUBJECT: AFGHANISTAN/SERAJ PROJECT ANTI-POPPY CLAUSE IN
ADB PROJECT AGREEMENT WITH GOVERNMENT

1. DURING RECENT DISCUSSIONS BETWEEN ADB STAFF AND THE
DEMOCRATIC REPUBLIC OF AFGHANISTAN (DRA) REGARDING THE
DRAFT SERAJ AGRICULTURAL DEVELOPMENT PROJECT AGREEMENT,
THE AFGHAN CHIEF NEGOTIATOR STATED THAT THE PROPOSED
ANTI-POPPY CLAUSE IN THE FINANCING AGREEMENT WAS NOT
ACCEPTABLE TO HIS GOVERNMENT. HE EXPLAINED THAT THE
PROPOSED TA GRANT AND LOAN WAS FOR A FEASIBILITY STUDY
AND ENGINEERING DESIGN AND NOT FOR CONSTRUCTION PURPOSES.
HE STATED THAT THE GOVERNMENT WAS, HOWEVER, PREPARED TO
GIVE A SEPARATE LETTER OF ASSURANCE TO THE BANK SIGNED BY
AN OFFICIAL IN THE MINISTRY OF PLANNING OR FOREIGN AFFAIRS.
THE BANK TEAM AGREED TO ACCEPT A LETTER SUCH AS THE ONE
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CITED IN PARA 2 BELOW WITH THE UNDERSTANDING THAT THE
LANGUAGE IN PARA. 3 BELOW WILL BE INCLUDED IN THE LOAN
DOCUMENTS RATHER THAN A SEPARATE SIDE LETTER FOR THE
CONSTRUCTION LOAN IF AND WHEN THE BANK AGREES TO APPROVE
SUCH A LOAN. THE AFGHAN GOVERNMENT AGREED TO THIS
ARRANGEMENT.

2. TEXT OF SIDE LETTER AGREED TO FOR TA LOAN/GRANT PHASE
IS AS FOLLOWS:

QUOTE. THIS IS IN REFERENCE TO THE SERAJ AGRICULTURAL
DEVELOPMENT PROJECT IN AFGHANISTAN FOR WHICH THE ASIAN
DEVELOPMENT BANK (THE BANK) IS CONSIDERING A LOAN OF
US DOLLARS 1,450,000 AND A GRANT OF US DOLLARS 150,000 ON
SUCH TERMS AND CONDITIONS AS SET FORTH IN THE DRAFT
TECHNICAL ASSISTANCE FINANCING AGREEMENT BETWEEN THE
DEMOCRATIC REPUBLIC OF AFGHANISTAN AND THE BANK NEGOTIATED
TODAY.

DURING THE PREPARATION AND NEGOTIATION OF THIS
TECHNICAL ASSISTANCE, THE BANK HAD EXPRESSED ITS CONCERN
ABOUT THE NEED FOR NECESSARY STEPS TO PREVENT AND ELIMINATE
THE GROWTH OF OPIUM POPPIES IN THE PROJECT AREA. WE ARE
PLEASED TO ASSURE YOU THAT THE GOVERNMENT OF THE DEMOCRATIC
REPUBLIC OF AFGHANISTAN HAS BEEN MAKING VARIOUS EFFORTS
TO ELIMINATE OPIUM POPPY GROWING IN THE COUNTRY AND, FOR
THIS PURPOSE, WE HAVE ALSO RECEIVED ASSISTANCE FROM THE
UNITED NATIONS AND OTHER AGENCIES.

WITH REGARD TO THE BANK'S CONCERN ABOUT THIS MATTER
IN CONNECTION WITH THE SERAJ AGRICULTURAL DEVELOPMENT
PROJECT, WE ASSURE THE BANK THAT THE GOVERNMENT WILL TAKE
THE NECESSARY STEPS FOR PREVENTION AND ELIMINATION OF THE
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GROWTH OF OPIUM POPPIES IN THE PROJECT. END QUOTE.

3. TEXT OF SECTION 4.06 OF CONSTRUCTION LOAN AGREEMENT
AS AGREED TO IN EVENT THAT BANK AGREES TO MOVE AHEAD WITH
CONSTRUCTION PHASE OF PROJECT IS AS FOLLOWS:

QUOTE. SECTION 4.06. THE BORROWER SHALL TAKE ALL
STEPS (INCLUDING FOR EXAMPLE, BUT NOT RESTRICTED TO,
PERIODIC INSPECTION OF AREAS AND IMPLEMENTATION OF THE
POPPY ERADICATION PROGRAM FORMULATED BY THE JOINT COM-
MITTEE ON AFGHAN NARCOTICS MATTERS) TO PREVENT OR ELIMINATE
AS THE CASE MAY BE, THE GROWTH OF OPIUM POPPIES IN THE
PROJECT AREA. WITH REGARD TO THE IMPLEMENTATION OF THIS
PROVISION, THE BORROWER SHALL PROVIDE THE BANK WITH SUCH
INFORMATION AS THE BANK MAY REASONABLY REQUEST AND THE
BORROWER AND THE BANK SHALL FROM TIME TO TIME EXCHANGE
THEIR VIEWS. END QUOTE.

4. WE BELIEVE THAT THE BANK HAS PRESSED THE GOVERNMENT
ABOUT AS FAR AS IT IS ABLE AND HAS OBTAINED REASONABLE
ASSURANCES OF THE GOVERNMENT'S VIGILANCE IN PREVENTING
THE PROPAGATION OF POPPY CULTURE IN THE PROPOSED PROJECT
SITE. BOTH BANK MANAGEMENT AND ITS PROJECT PERSONNEL
HAVE DEMONSTRATED A WILLINGNESS TO GO TO THE MAT ON THIS

ISSUE, AND WE WELCOME THEIR STRONG EFFORTS. EDMOND

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Message Attributes

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